

Session II: The Roles of Social Security, Housing, and Expectations

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Racial Inequality – three very interesting papers

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Issue: Did structural barriers contribute to the wide and persistent racial wealth gap that we observe today?

- The Racial Wealth Gap and The Legacy of Racially Restrictive Housing Covenants (Santucci)
- Racial and Ethnic Differences in Longevity Perceptions and Implications for Financial Decision-Making (Hurwitz, Sade, Mitchell)
- Social Security and the Racial Wealth Gap (Catherine and Sarin)

Racial Inequality – Evidence

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Long history of racially discriminatory practices/policies – the main drivers of intergenerational racial inequality that persist today in housing, education, health, workforce opportunities, income, and wealth.

- Housing discrimination
 - prevented Black families from access to affordable homeownership and wealth-building opportunities in growing neighborhoods.
 - Black families have lower homeownership rate and home equity, and are less likely to receive intergenerational transfers.
- Employment discrimination
 - contributed to occupational segregation with Black and Hispanic workers being more concentrated in low paying occupations and jobs, leading to lower savings rates and higher poverty rates
- Social Security (until 1950, 1954) excluded farm & domestic workers, preventing them from accruing benefits and wealth. Currently, with its universal and progressive formula, Social Security helps to mitigate racial inequality in retirement, but
 - people of color have lower life-time earnings and work in physically demanding jobs that lead to early claiming and reduced Social Security benefits
- People of color are more negatively affected by economic downturns (recession or pandemic)
- People's knowledge, expectations, beliefs impact their decisions about (dis)saving, retirement planning, and Social Security claiming
 - ✦ People of color have less knowledge about retirement planning and Social Security benefits, have less financial literacy, feel less prepared for retirement, and have less realistic assessment of their retirement adequacy; but there is little evidence of racial/ethnic difference in retirement expectations

Racially Restrictive Housing Covenants (Santucci)

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- **Question:**

- To what extent does the geography of racial covenants in Philadelphia correlate with today's economic conditions in the city?

- **Data:**

- A spatial dataset of properties in Philadelphia with racially restricted covenants from 1920-1932 (Santucci 2020).
- It allows to examine the long-term impact of covenants on residential segregation patterns and disparities in economic outcome by race
- Analysis at the small geographic unit (census tract) and supplement with demographic data from the ACS

- **Take Aways:**

- Covenants were not randomly distributed and segregation is evident even today at the census-tract level
- A negative relationship between the Median Home Value and the share of Black residents within a census tract
- A positive relationship between unemployment rate and the share of Black residents within a census tract
- Indicating a persistent pattern of Black people still living in disadvantaged neighborhoods

Longevity Perceptions and Financial Decision-Making (Hurwitz, Sade, Mitchell)

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- **Questions:**

- Do longevity perceptions differ by race/ethnicity? Do they change due to population's health shocks or information interventions? Does longevity information impact financial advice?

- **Data:**

- An online panel survey conducted during March-June of 2020 and February-April of 2021
- Used two vignettes – randomly assigned to ½ of the sample - to assess respondents' advice about savings and annuitization
- For each vignette, the sample was randomly assigned to three groups: one control group and two treatment groups, each received information (life expectancy or longevity risk)
- Two alternative ways of framing the sample: Asked about subjective survival probability (SSP) either *before* or *after* receiving vignette + information

- **Take Aways:**

- Black and Asian respondents overestimated their own SSP in both 2020 & 2021, and little change in their optimism between 2020 & 2021
- Only Hispanic respondents expected a decline in longevity of the US population due to the pandemic
- Receiving longevity information did not change people's own SSP. However, receiving the vignette first reduced their optimism
- Black and other-race participants overestimated their survival probability whether receiving vignette first or after the SSP question.
- Black under-estimators were more likely to advise saving and annuitization in 2020 and savings in 2021

Social Security and Racial Wealth Gap (Catherine and Sarin)

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- Question:
 - What role does Social Security program play on the racial wealth gap and has it changed over time?
- Data:
 - Data are from the Survey of Consumer Finance over time (1989-2019).
 - Focus on private marketable wealth and Social Security Wealth (SSW), accounting for racial differences in life expectancy
 - Compare racial wealth gap with/without SSW
- Take Aways:
 - Racial income gap persists,
 - Sizable and persistent racial marketable wealth gap (at 20% of Whites' wealth)
 - SSW is more evenly distributed than marketable wealth, leading to a reduction in the racial total wealth gap over time,
 - ✦ still in 2019, median Black households have \$0.53 of total wealth for each \$1 of wealth of their White counterparts
 - ✦ while replacement rates are lower for White than non-White adults, SSW is higher among White adults, mainly due to higher lifetime earnings and lower mortality
 - A larger proportion of total wealth among the non-White households is in illiquid assets (mainly SSW)

Racially Restrictive Housing Covenants (Santucci) - suggestions

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- Consider using other ACS block-level characteristics such as income and occupation since Black workers are more concentrated in low paying jobs/occupations
- Consider using data from the American Housing Survey – a national longitudinal survey (1973-present) – information on physical condition of homes, neighborhoods, characteristics of people who live in them, etc.
- Using block-level Decennial Censuses data (such as race of residents, age, and homeownership), supplemented with property information one can address several questions:
 - ✦ **At the property-level or at the block-level as the unit of analysis**
 - To what extent do today's home values differ between covenant and non-covenant properties (or areas)?
 - Do patterns of gains in home value over time differ between covenant and non-covenant properties (or areas)? Did these patterns change after covenants were ruled illegal (the 1948 Supreme Court decision and/or the 1968 Fair Housing Act)?
 - To what extent do covenants explain today's spatial characteristics of Philadelphia?

Longevity Perceptions and Financial Decision-Making (Hurwitz, Sade, Mitchell) – suggestions

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- Sample distribution by race/ethnicity differs compared to the 2020 March CPS:
 - ✦ Online sample: White (81%), Black (7%), Hispanic (4%), Asian/PI (5%), Other (3%)
 - ✦ CPS sample: NH-White (64%), NH-Black (11%), Hispanics (16%), Asian/PI (7%), Other (2.5%)
 - Thus, results may be less generalizable within each group if online respondents have characteristics (observable or not) that differentially affect outcomes of interest in this study.

- Population life tables used are by age and sex, but not by race/ethnicity
 - Thus, life tables will likely overestimate survival rates of Black respondents and their optimism (SLE-LE(X)) is likely downward biased.

- Black over-estimators do not advise others to save more, while under-estimators do – counterintuitive.
 - ✦ What people recommend to others may not coincide with what they would recommend to themselves, so maybe compare their advice across the two years to see how consistent they are.

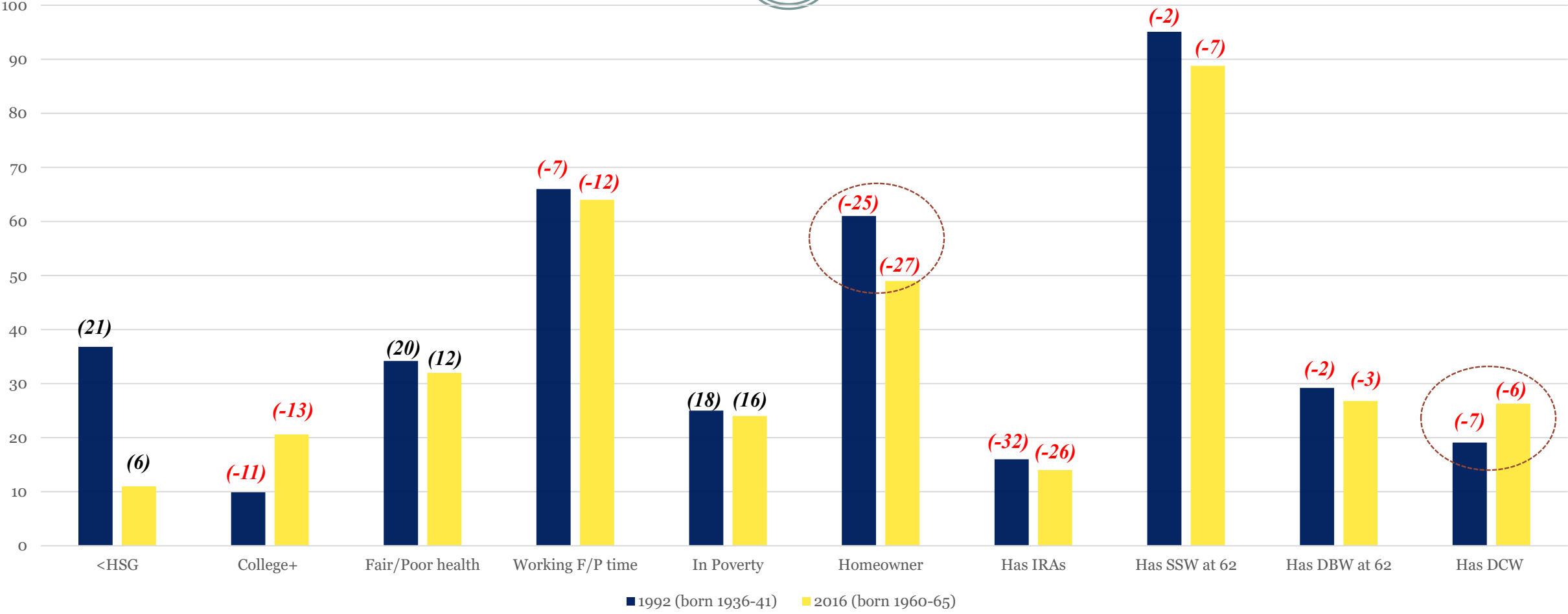
Social Security and Racial Wealth Gap (Catherine and Sarin) - suggestions

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- Depict Social Security wealth of Black and Hispanic households relative to white households over time (Figure 4)
 - ✦ One reason for the increase in SSW over time because agriculture and domestic workers were not initially covered under Social Security program.
- While replacement rate (RR) is an important indicator to examine, it is worth noting that:
 - ✦ a higher RR among Black and Hispanic workers does not mean that they are better off compared to those with lower RR,
 - ✦ while it may be optimal and rational for those with higher RR to not save outside of Social Security, the little saving that we observe is not because they made a rational choice to do so, but rather because they had no means to save more
- SSW comprises a larger share of total wealth for people of color – so it is useful to show the share of SSW (and different asset classes) at different parts of the distribution
 - ✦ While SSW is important in reducing the racial total wealth gap within a given generation, it is not transferable across generations (except for surviving spouses and young children) and thus does not alleviate the persistent intergenerational wealth gap

Selected outcomes (%) among Black adults aged 51-56 in 1992 and 2016, (B-W gap in percentage points)

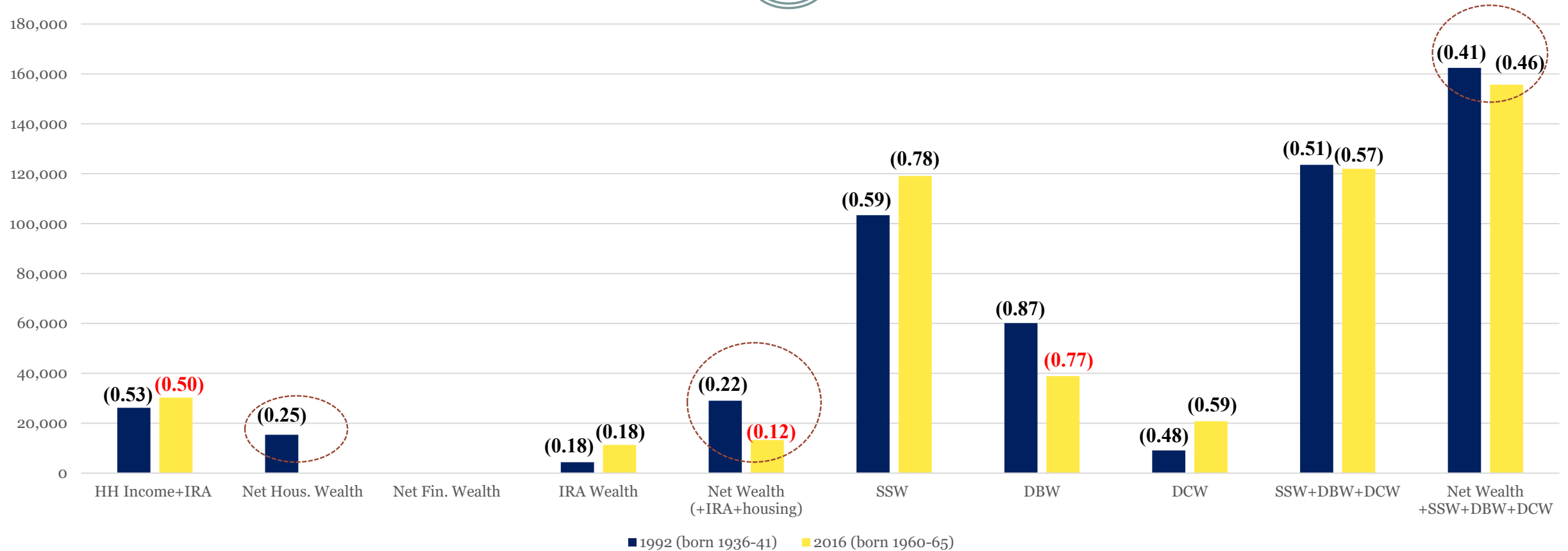
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Dushi and Muller (forthcoming). Data from Health and Retirement Study (HRS). (-pp) indicates Black adults are less likely than White adults.

Selected Outcomes: Median per capita total HH income and wealth (\$) among Black adults aged 51-56 in 1992 and 2016 (Ratio B/W)

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Dushi and Muller (forthcoming). Data from Health and Retirement Study (HRS). Red indicates the gap has widened for the more recent cohort.

Respondents' expected probability of living to age 75, in HRS

- Black respondents in both cohorts equally likely to over- or under-estimate their probability of living to age 75
- White respondents in the older cohort more likely to underestimate, while the younger cohort more likely to overestimate

	1992		2016	
	born 1936-41		born 1960-65	
	White	Black	White	Black
<i>Respondent's Expected probability of living to age 75 (%)</i>				
0%	5.1	9.1	4.4	4.2
1-30%	8.7	8.4	10.5	10.1
40-60%	29.5	28.0	29.9	26.9
70%+	56.7	54.5	55.1	58.7
<i>Ratio SLE/LE (75): % over- or under-estimators</i>				
Overestimate (ratio \geq 1)	47.8	49.9	58.6	49.0
Underestimate (ratio <1)	52.2	50.1	41.4	51.0
<i>Note: Data from HRS.</i>				

Thank You